

In the Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY
EDUCATION EXPENSE BOARD, PETITIONER

v.

COLLEGE SAVINGS BANK AND
THE UNITED STATES OF AMERICA

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE UNITED STATES

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QUESTION PRESENTED

Whether Congress has authority under Section 5 of the Fourteenth Amendment to make state entities amenable to suit in federal court for claims of patent infringement.

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No. 98-531

FLORIDA PREPAID POSTSECONDARY
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v.

COLLEGE SAVINGS BANK AND
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*ON WRIT OF CERTIORARI
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BRIEF FOR THE UNITED STATES

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-26a) is reported at 148 F.3d 1343. The opinion of the district court (Pet. App. 27a-91a) is reported at 948 F. Supp. 400. An earlier opinion of the district court is reported at 919 F. Supp. 756.

JURISDICTION

The judgment of the court of appeals was entered on June 30, 1998. The petition for a writ of certiorari was filed on September 28, 1998, and was granted on January 8, 1999. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

**CONSTITUTIONAL AND STATUTORY PROVISIONS
INVOLVED**

1. The Patent Clause of the United States Constitution, Article I, Section 8, Clause 8, provides:

The Congress shall have power * * * [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

2. The Eleventh Amendment to the United States Constitution provides:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

3. The Fourteenth Amendment to the United States Constitution provides, in relevant part:

SECTION 1. * * * No State shall * * * deprive any person of life, liberty, or property, without due process of law.

* * * * *

SECTION 5. The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.

4. Section 271(h) of Title 35, United States Code, provides:

Infringement of patent

As used in this section, the term “whoever” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

5. Section 296 of Title 35, United States Code, provides:

Liability of States, instrumentalities of States, and State officials for infringement of patents

(a) **IN GENERAL.**—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

(b) **REMEDIES.**—In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such

remedies include damages, interest, costs, and treble damages under section 284, attorney fees under section 285, and the additional remedy for infringement of design patents under section 289.

STATEMENT

1. The Patent Clause of the Constitution empowers Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to * * * Inventors the exclusive Right to their * * * Discoveries.” U.S. Const. Art. I, § 8, Cl. 8. Congress has accordingly authorized the issuance of patents under a system that “encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time.” *Pfaff v. Wells Elecs., Inc.*, 119 S. Ct. 304, 310 (1998).

“A patent is a species of property,” *Transparent-Wrap Mach. Corp. v. Stokes & Smith Co.*, 329 U.S. 637, 643 (1947), that entitles its owner for a time to exclude others from making, using, or selling the invention protected by the patent. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229-230 (1964). It is not disputed that the property interest secured by a federal patent includes the right to exclude state entities as well as private parties from making, using, or selling the patented invention, or that the creation of a property interest that excludes States is a legitimate exercise of Congress’s substantive power under the Patent Clause.

Essential to the property interest secured by the federal patent is a right to compensation for unauthorized, or infringing, uses of the patented invention without license from the patent holder. Thus, since the enactment of the first patent statute in 1790, Congress

has authorized private causes of action for patent infringement. See, *e.g.*, Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 111; Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 322; Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 38; Act of July 4, 1836, ch. 357, § 14, 5 Stat. 123; 35 U.S.C. 271. Moreover, because of the considerable complexity of patent-infringement claims, as well as the strong federal interest in ensuring the development of a consistent and uniform body of patent law, Congress has historically provided the federal courts with exclusive jurisdiction over cases arising under the patent laws. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989). In 1982, Congress further strengthened its policy of promoting uniform development of patent law when it established the United States Court of Appeals for the Federal Circuit and vested that court with exclusive jurisdiction over all appeals in cases arising under federal patent law. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, § 127(a), 96 Stat. 37 (28 U.S.C. 1295(a)(1)).

In 1992, Congress enacted the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), Pub. L. No. 102-560, § 2(a)(2), 106 Stat. 4230, which expressly abrogated the Eleventh Amendment immunity of any State or state instrumentality from patent-infringement suits. See 35 U.S.C. 296(a); see also S. Rep. No. 280, 102d Cong., 2d Sess. 2 (1992) (J.A. 6a). The Patent Remedy Act was intended in part to enforce the right of patent holders to protect the property interest in their patents from deprivation by the States without due process of law. *Id.* at 8 (J.A. 20a). The Senate Judiciary Committee Report accompanying the Patent Remedy Act invoked the Patent Clause, the Commerce Clause (U.S. Const. Art. I, § 8, Cl. 3), and the Enforcement Clause of Section 5 of the

Fourteenth Amendment as bases for the legislation. See S. Rep. No. 280, *supra*, at 7-8 (J.A. 18a-19a).

2. Respondent College Savings Bank (CSB) markets certificates of deposit (CDs) under the trademark “CollegeSure.” The CollegeSure CDs are deposit contracts for financing future college expenses. CSB obtained a patent for its financing methodology, which is designed to guarantee investors sufficient funds to cover the costs of tuition for college. See Pet. App. 2a.

The Florida legislature created petitioner Florida Prepaid Postsecondary Education Expense Board as part of a legislative initiative to foster greater educational opportunities at the State’s colleges and universities. See Fla. Stat. Ann. § 240.551 (West 1998 & Supp. 1999); see also Pet. App. 2a & n.1. Since 1988, petitioner has administered the Florida Prepaid Postsecondary Education Expense Program, a tuition-prepayment program available to “qualified beneficiaries” as defined by Florida law. Pet. App. 28a-29a & n.2. Those “qualified beneficiaries” include any student who is a Florida resident at the time the advance payment contract is formed, as well as any non-resident student who is the child of a non-custodial parent who is a resident of Florida at the time of contract formation. Fla. Stat. Ann. § 240.551(2)(e) (West 1998 & Supp. 1999); Pet. App. 29a n.2.

CSB filed two separate actions against petitioner in the United States District Court for the District of New Jersey. In the suit at issue here, CSB alleged that petitioner had knowingly and willfully infringed CSB’s patent. CSB sought declaratory and injunctive relief and damages. C.A. App. 100-103.¹ After this Court

¹ CSB also filed a separate action alleging that petitioner had made false claims about its own product in violation of the Lanham

decided *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), petitioner moved to dismiss CSB's patent-infringement claim on Eleventh Amendment grounds. Pet. App. 38a. The United States intervened pursuant to 28 U.S.C. 2403(a) to defend the constitutionality of the Patent Remedy Act.

The district court denied petitioner's motion to dismiss CSB's patent-infringement claim. Pet. App. 27a-91a. The court held that the Patent Remedy Act is a valid abrogation of States' Eleventh Amendment immunity from suit in federal court on patent-infringement claims. In particular, the court held that the Patent Remedy Act is a valid means of enforcing the Fourteenth Amendment's protection against the deprivation of property without due process of law. *Id.* at 78a-86a. The court explained that "a patent is 'property' for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act." *Id.* at 85a-86a.

3. The court of appeals affirmed. Pet. App. 1a-26a. The court held that Congress had clearly expressed its intent to abrogate the States' immunity from suit in federal court for patent infringement, and that Congress is empowered under Section 5 of the Fourteenth Amendment to effectuate such an abrogation. *Id.* at 5a-26a. The court stated that "[i]n subjecting the states to

Trade-Mark Act, 15 U.S.C. 1125(a). The district court dismissed the Lanham Trade-Mark Act suit on Eleventh Amendment grounds, the Third Circuit affirmed, and CSB filed a petition for a writ of certiorari from the Third Circuit's judgment. This Court granted CSB's petition in that case on January 8, 1999, the same day that it granted the petition filed in this case. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, No. 98-149 (to be argued Apr. 20, 1999).

suit in federal court for patent infringement, Congress sought to prevent states from depriving, patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment.” *Id.* at 13a. The court also found a “congruence between the means used and the ends to be achieved” by Congress in subjecting the States to suit for patent infringement. *Id.* at 24a (quoting *City of Boerne v. Flores*, 521 U.S. 507, 530 (1997)).

SUMMARY OF ARGUMENT

I. A. This Court has repeatedly made clear that Section 5 of the Fourteenth Amendment empowers Congress to abrogate States’ Eleventh Amendment immunity in order to secure the protections of the Fourteenth Amendment and to deter and remedy violations of those rights. Section 5 vests Congress with broad authority in those respects, and Congress’s judgments in this area “are entitled to much deference.” *City of Boerne v. Flores*, 521 U.S. 507, 536 (1997). Congress reasonably concluded that the abrogation of States’ Eleventh Amendment immunity to suit in federal court for patent-infringement claims is appropriate to secure the Fourteenth Amendment’s protection against deprivation, without due process of law, of inventors’ property rights in their patents.

B. 1. The Fourteenth Amendment provides constitutional protection against the arbitrary deprivation of private property by the States. A patent is a form of property that confers on the patent owner the right to exclude others, including state entities, from making, using, or selling the patented invention. Infringement of a patent by a state entity through unauthorized use of an invention therefore “depriv[es]” a patent owner of

his property right to exclude use, within the meaning of the Due Process Clause. The Patent Remedy Act secures constitutional protection for a classic form of property. That legitimate protection does not suggest, however, that Congress has limitless power to vest private interests with the status of property and then use its Fourteenth Amendment power to subject States to suit in federal court for infringing those interests.

2. a. In abrogating the States' Eleventh Amendment immunity to suit for patent infringement, Congress acted appropriately to protect the property interest in federal patents against state deprivation without due process of law. There have been instances of state patent infringement in the past, and, given the increasing involvement of state entities in areas covered by patents, Congress had reason to believe that the problem would become even more serious in the future. Section 5 therefore empowered Congress to ensure that reliable procedures would be available to protect the property rights conferred under the patent laws.

b. Congress was not required to relegate patent owners to the remedies for a taking of property under the Just Compensation Clause, or to whatever remedies might be available in state court under state tort law. First, it is doubtful that it is appropriate to apply takings law to a state entity's infringement of a patent at all, because the Supremacy Clause prevents a State from exercising its power of eminent domain over a federal patent. Further, Congress might reasonably have concluded that it would be uncertain how state courts would apply taking law to patents. This Court has recognized a *per se* taking only when the governmental action entirely extinguishes the right to either occupy or productively use property, a method of analysis that might not be readily applicable to claims

of patent infringement. Although the Court has also recognized claims of regulatory takings, patent infringements may occur without a regulatory nexus; moreover, regulatory taking claims are governed by an ad hoc inquiry that, Congress could reasonably conclude, is insufficiently uniform and certain to ensure the necessary protection against patent infringement. Further, Congress might reasonably perceive standard remedies applied in state courts for takings as inadequate to secure the federally conferred property interest in patents, because the patent gives the inventor the right to exclude others and to engage in exclusive use of the invention, not just the right to demand compensation from others for use of the invention, and because in some cases the measure of compensation in standard taking cases might also be considered insufficient to compensate a patent owner for his economic loss caused by state infringement.

Congress could also have reasonably concluded that the possibility of a meaningful state-law remedy for the deprivation of a patent owner's property interest is speculative. At least two States have not waived their sovereign immunity at all, and other States have imposed significant qualifications on their waivers of immunity from tort suits. Congress therefore had reason to doubt the general adequacy of alternative remedies against States for patent infringement. And Congress is not required to enforce patent rights on a piecemeal, State-by-State basis, under which a patent owner's right to sue a state entity for infringement under federal law might turn on a fact-specific evaluation of the alternative remedies available against that particular State under its own laws. Finally, Congress is entitled to conclude that a post-deprivation remedy in damages for a state entity's deprivation of a patent

owner's property interest is necessary because a pre-deprivation remedy would be impracticable given the circumstances in which patent-infringement claims arise. A state entity in competition with a patent owner is not likely to give the patent owner pre-deprivation notice of its intent to infringe the patent.

c. Because of the important federal interest in the uniform development of patent law and consistent adjudication of patent-infringement claims, Congress has long channeled patent-infringement claims exclusively into the federal courts. It has also established a federal court of appeals with exclusive subject-matter jurisdiction over cases arising under the patent laws to provide uniformity that promotes a reliable and consistent system of patent protection. Issues relating to patent infringement can be highly complex, and state courts have not heretofore been called upon to develop expertise in questions arising under the federal patent code. Congress also has historically viewed claims of patent infringement as more appropriate for vindication by private enforcement, rather than prosecution by the federal government, reflecting the fact that a patent owner is most likely to understand the factual basis of a claim of infringement. It is therefore appropriate for Congress to provide for private claims of patent infringement brought against state entities to be adjudicated only in the federal courts.

3. Congress is not required to limit the federal courts' jurisdiction over patent-infringement cases against state entities to those in which intent to infringe is alleged and proven. Such a rule would introduce serious inefficiencies, because the courts would be unable to determine their jurisdiction at the outset of the case, but would in many cases be required to hold trials to determine whether the alleged infringer had

acted with intent—an inquiry that is ordinarily unnecessary to determine the substantive question of infringement. Given those difficulties, and the fact that Congress’s substantive regulation of patent infringement by state entities is constitutionally unobjectionable, it is appropriate for Congress to assign patent-infringement cases against state entities to the federal courts without requiring a showing of intent.

C. This case is far removed from *City of Boerne v. Flores*, 521 U.S. 507 (1997). In that case, the Court invalidated a statute with sweeping coverage that ensured its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter. In contrast, the Patent Remedy Act speaks only to a state entity’s illegal production, use, or sale of a patented device or method. The Act does not intrude into any sphere of primary conduct constitutionally reserved to the States. Hence, Congress’s decision to subject state entities to suit for engaging in unlawful commercial activity does not raise the concerns that animated the decision in *City of Boerne*.

II. Application of the Patent Remedy Act in this case may also be sustained on the ground that petitioner has waived its Eleventh Amendment immunity by engaging in commercial activity that infringes CSB’s patent. A State voluntarily waives its Eleventh Amendment immunity by engaging in commercial activity when Congress has unequivocally provided that a State that engages in that conduct will be amenable to suit in federal court, and when that conduct is of a nature that the State could realistically choose to abandon. Those conditions are satisfied in this case.

ARGUMENT

I. CONGRESS HAS VALIDLY MADE STATE ENTITIES AMENABLE TO SUIT IN FEDERAL COURT FOR CLAIMS OF PATENT INFRINGEMENT

A. Congress Has Power Under Section 5 Of The Fourteenth Amendment To Make State Entities Amenable To Suit In Federal Court, In Order To Secure The Guarantees Of The Due Process Clause Of That Amendment, And To Deter And Remedy Violations Of That Clause

It is firmly established that Congress's power under Section 5 of the Fourteenth Amendment includes the power to abrogate the Eleventh Amendment immunity of the States, so that they will be amenable to suit in federal court:

[T]he Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment. In that section Congress is expressly granted authority to enforce “by appropriate legislation” the substantive provisions of the Fourteenth Amendment, which themselves embody significant limitations on state authority. When Congress acts pursuant to § 5, not only is it exercising legislative authority that is plenary within the terms of the constitutional grant, it is exercising that authority under one section of a constitutional Amendment whose other sections by their own terms embody limitations on state authority. We think that Congress may, in determining what is “appropriate legislation” for the purpose of enforcing the provisions of the Fourteenth Amend-

ment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.

Fitzpatrick v. Bitzer, 427 U.S. 445, 456 (1976) (citation omitted). This holding of *Fitzpatrick* was in no way disturbed by the Court's subsequent decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), which held (*id.* at 59, 65-66) that Congress lacked power under the Indian Commerce Clause, (Art. I, § 8, Cl. 3) to abrogate a State's immunity from suit in federal court. See *Seminole Tribe*, 517 U.S. at 72 n.15 (reaffirming that, "in the context of a statute passed under the Fourteenth Amendment, * * * Congress' authority to abrogate [Eleventh Amendment immunity] is undisputed"). *Fitzpatrick* therefore continues to state the overarching principle for cases involving exercises of congressional power under Section 5: Congress may exercise its Fourteenth Amendment power to abrogate a State's Eleventh Amendment immunity from suit.

Section 5 of the Fourteenth Amendment vests Congress with the "power to enforce, by appropriate legislation, the provisions of [the Amendment]." U.S. Const. Amend. XIV, § 5. The provisions of the Fourteenth Amendment that Congress may enforce pursuant to Section 5 extend to "every right guaranteed by the Due Process Clause," *United States v. Price*, 383 U.S. 787, 789 (1966) (internal quotation marks omitted), including the right against the deprivation of property without due process of law. Furthermore, as the Court recently reaffirmed, Section 5 "is 'a positive grant of legislative power' to Congress." *City of Boerne v. Flores*, 521 U.S. 507, 517 (1997) (quoting *Katzenbach v. Morgan*, 384 U.S. 641, 651 (1966)). Section 5 gives

Congress broad discretion to determine in the first instance “whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment.” *Id.* at 536 (internal quotation marks omitted). “Whatever legislation is appropriate, that is, adapted to carry out the objects the [Fourteenth Amendment] ha[s] in view, * * * if not prohibited, is brought within the domain of congressional power.” *Id.* at 517-518 (internal quotation marks omitted). Accordingly, Section 5 grants Congress the authority to abrogate the States’ Eleventh Amendment immunity in circumstances that are appropriate to secure the Fourteenth Amendment’s protection against deprivation of property without due process of law.

Moreover, the question whether Congress has power under Section 5 of the Fourteenth Amendment to prohibit or regulate a form of state activity is distinct from the question whether that particular conduct might be held by a court to violate the substantive provisions of that Amendment. As this Court has repeatedly recognized, “[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress’ enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into legislative spheres of autonomy previously reserved to the States.” *Lopez v. Monterey County*, 119 S. Ct. 693, 703 (1999) (quoting *City of Boerne*, 521 U.S. at 518); see also *Morgan*, 384 U.S. at 649 (Congress, pursuant to its Section 5 powers, could bar States from imposing English-literacy requirements already adjudicated to be constitutional); cf. *City of Rome v. United States*, 446 U.S. 156, 177 (1980) (“It is clear * * * that under § 2 of the Fifteenth Amendment Congress may prohibit practices that in and of themselves do not violate § 1 of the Amendment,

so long as the prohibitions attacking racial discrimination in voting are ‘appropriate.’”). Thus, Congress may under “appropriate” circumstances abrogate a State’s immunity to suit in federal court to ensure adequate constitutional protection for property, even if not every deprivation of property subject to challenge in federal court under that abrogation would be unconstitutional.

B. Subjecting State Entities To Suit In Federal Court For Patent Infringement Is An Appropriate Means Of Securing The Protections Of The Due Process Clause

1. Patents Are A Form Of Property That Congress May Protect From Unconstitutional Deprivation Under Section 5

The right to exclude others from use of an invention covered by a federal patent is, without doubt, property protected against unconstitutional deprivation by the Due Process Clause of the Fourteenth Amendment, U.S. Const. Amend. XIV, § 1. The “types of interests protected as property [by the Clause] are varied and, as often as not, intangible.” *Logan v. Zimmerman Brush Co.*, 455 U.S. 422, 430 (1982) (internal quotation marks omitted). Indeed, the Court long ago made clear that patents are a form of property. See *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 425 (1908) (“[P]atents are property, and entitled to the same rights and sanctions as other property.”); *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land.”); *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1856) (“For, by the laws of the United States, the rights of a party under a patent are his private property.”). Patents give their owners the right to exclude others from making, using, or selling an invention for a certain period, *Kewanee Oil Co. v.*

Bicron Corp., 416 U.S. 470, 480 (1974), and that right of exclusion is among the “most essential sticks in the bundle of rights that are commonly characterized as property,” *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). Congress has therefore provided that, subject to the provisions of the patent code, “patents shall have the attributes of personal property.” 35 U.S.C. 261.²

Federal patents are therefore entitled to protection against deprivation without due process of law, and Congress may act under the Fourteenth Amendment to secure that protection. Petitioner contends (Pet. Br. 17-19), however, that to permit Congress to invoke the Fourteenth Amendment to protect property interests that it creates under its Article I powers (such as patents) would allow Congress to circumvent the limitations on its power to abrogate Eleventh Amendment immunity set forth in *Seminole Tribe*. The Due Process Clause, however, protects only “life, liberty, [and] property” from deprivation. U.S. Const. Amend. XIV, § 1; see *Paul v. Davis*, 424 U.S. 693, 710-712 (1976). While Congress undoubtedly has latitude in determining that a particular private interest created under its Article I power should have the status of

² Like other forms of property, a patent (or any interest therein) can be assigned through sale, mortgage, or gift, and is transferred by the death of the patent owner to the administrator or executor of the owner’s estate. See *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135-136 (1969); *Bement v. National Harrow Co.*, 186 U.S. 70, 88-89 (1902); *Waterman v. Mackenzie*, 138 U.S. 252, 255 (1891); *Wilson v. Rousseau*, 45 U.S. (4 How.) 646, 674-675 (1846); see also 35 U.S.C. 261 (providing that patent or any interest therein may be assigned by instrument in writing, and providing for recordation of assignments in Patent and Trademark Office).

“property,” so that the guarantees of the Due Process Clause are implicated, that latitude is not unlimited. Thus, the fact that the Fourteenth Amendment authorizes Congress to protect property interests created by Article I does not make Congress’s power to abrogate Eleventh Amendment immunity coextensive with its power to legislate under Article I, as petitioner asserts (Pet. Br. 19). In cases where Congress has acted to secure the protections of the Due Process Clause for property, the courts are empowered to decide whether the interest protected may in fact appropriately be considered to be “property” within the meaning of that Clause. Cf. *American Mfrs. Mut. Ins. Co. v. Sullivan*, No. 97-2000 (Mar. 3, 1999), slip op. 17-20 (holding that state utilization-review procedures had not created “property” protected by the Due Process Clause).³

Indeed, much substantive regulation enacted by Congress pursuant to Article I has not been viewed as creating property interests that fall within the scope of the Fourteenth Amendment. For example, as we

³ Petitioner further contends (Pet. Br. 18 n.6) that *Seminole Tribe* “confirm[s] that whatever statutory property rights Congress is able to create under Article I after the passage of the Eleventh Amendment do not include the right to have such rights enforced against states by suit in federal court.” That argument conflates the substance of a property interest with the means adopted by Congress to protect that interest. The substantive property interest at issue in this case is the right of a patent owner to exclude others, including States, from exploiting a patented invention. See 35 U.S.C. 154, 271(h), 296. The property interest in excluding others from use of one’s invention exists apart from the federal-court forum established by Congress to protect that interest. Cf. *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 541 (1985) (“‘Property’ cannot be defined by the procedures provided for its deprivation.”); *ibid.* (“The categories of substance and procedure are distinct.”).

explain in our brief (at pp. 30-33) in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, No. 98-149 (to be argued Apr. 20, 1999), although the Lanham Trade-Mark Act prohibits the misrepresentation, in commercial advertising, of one's own goods or services, see 15 U.S.C. 1125(a)(1)(B), that Act does not thereby create in competitors a property interest against such misrepresentations. For that reason, Congress's authorization of suits against States in federal court for misrepresenting their own business products (while valid on other grounds under our contentions in that case) cannot be sustained as an exercise of Congress's powers under Section 5 of the Fourteenth Amendment, for a State's misrepresentation of its own product does not deprive competitors of any constitutionally protected property interest.

If, however, Congress has legitimately created a property interest pursuant to its Article I powers, as it has done by authorizing the grant of patents pursuant to the Patent Clause, U.S. Const. Art. I, § 8, Cl. 8, then that property interest is entitled to constitutional protection under the Due Process Clause of the Fourteenth Amendment, just as is a property right created by state law. And far from being constitutionally evasive in nature, Congress's creation of a patent system to implement the Patent Clause reflects the fact that the very purpose of that Clause was to enable Congress to confer a particular kind of property right on inventors.

2. Permitting Patent-Infringement Suits Against State Entities In Federal Court Appropriately Ensures A Post-Deprivation Remedy For Patent Owners

a. *The Need For A Remedy For Patent Infringements By State Entities*

This Court has explained that, for a congressional enactment to be “appropriate” legislation to enforce the Fourteenth Amendment, “there must be a congruence between the means used and the ends to be achieved.” *City of Boerne*, 521 U.S. at 530. As a threshold matter, it is clear that ensuring adequate protection against unconstitutional deprivations of the property interests secured by a federal patent is a legitimate end for congressional action. The Due Process Clause of the Fourteenth Amendment protects individuals against arbitrary deprivations of their property by the States. See *Goss v. Lopez*, 419 U.S. 565, 572-576 (1975); see also *Hudson v. Palmer*, 468 U.S. 517, 539 (1984) (O’Connor, J., concurring) (“The Due Process and Takings Clauses of the Fifth and Fourteenth Amendments stand directly in opposition to state action intended to deprive people of their legally protected property interests.”). Because the right of exclusion conferred by a patent is a classic form of property, the Fourteenth Amendment, by its terms, prohibits state entities from depriving patent holders of that right without due process of law. In the particular case of patent infringement, Congress is entitled to secure that basic Fourteenth Amendment guarantee by ensuring patent owners a fully adequate post-deprivation remedy for infringements committed by state entities.

Congress was aware that patent-infringement disputes between private inventors and state entities had

arisen in the past. “[T]he legislative record of the Patent Remedy Act * * * discloses significant instances of alleged patent infringement by states or state entities.”⁴ Congress also had good reason to believe that the danger of state patent infringements would increase in the future.⁵ As the court of appeals pointed out, the legislative background to the Patent Remedy Act showed that state entities “now engage fully in the intellectual property marketplace, even often asserting their own patent rights.”⁶ The

⁴ Pet. App. 21a; see also *Jacobs Wind Elec. Co. v. Florida Dep’t of Transp.*, 919 F.2d 726, 727-729 (Fed. Cir. 1990); *Chew v. California*, 893 F.2d 331, 332-333, 336 (Fed. Cir.), cert. denied, 498 U.S. 810 (1990); *Watts v. University of Del.*, 622 F.2d 47, 48-53 (3d Cir. 1980); *Kersavage v. University of Tenn.*, 731 F. Supp. 1327, 1328-1330 (E.D. Tenn. 1989); *Lemelson v. Ampep Corp.*, 372 F. Supp. 708, 710-712 (N.D. Ill. 1974); *Hercules Inc. v. Minnesota State Highway Dep’t*, 337 F. Supp. 795, 796-798 (D. Minn. 1972); *Kraft Foods Co. v. Walther Dairy Prods.*, 118 F. Supp. 1, 2-3 (W.D. Wis. 1954), aff’d, 234 F.2d 279 (7th Cir.), cert. denied, 352 U.S. 926 (1956); *William C. Popper & Co. v. Pennsylvania Liquor Control Bd.*, 16 F. Supp. 762, 762-763 (E.D. Pa. 1936); *Automobile Abstract & Title Co. v. Haggerty*, 46 F.2d 86, 86-88 (E.D. Mich. 1931); *Warren Bros. Co. v. Kibbe*, 43 F.2d 582, 583-584 (D. Or. 1925).

⁵ Pet. App. 22a; see H.R. Rep. No. 960, 101st Cong., 2d Sess., Pt. 1, at 38 (1990); *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the House Comm. on the Judiciary*, 101st Cong., 2d Sess. 36 (1990) (*House Hearing*) (statement of Robert P. Merges, Associate Professor of Law, Boston University School of Law) (“the cases where sovereign immunity could be a defense are very likely to grow in number”).

⁶ Pet. App. 25a; see also *Genentech, Inc. v. Regents of the Univ. of Cal.*, 143 F.3d 1446, 1454 n.6 (Fed. Cir. 1998) (noting press report that in 1994 the University of California “received \$50.2 million in royalties, filed 389 patent applications, and received 126 patents”), petition for cert. pending, No. 98-731; Eyal H. Barash,

legislative history of the Patent Remedy Act also reflects Congress's recognition that, "as commercialization of basic research continues, particularly in the biotechnology field, state universities are becoming increasingly more active in the commerce of intellectual property." Pet. App. 22a; see also 137 Cong. Rec. 7330 (1991) (statement of Sen. DeConcini) ("As State universities and State regulatory agencies enter the race to commercialize scientific discoveries, the cases in which the sovereign immunity defense is asserted will grow in number."); H.R. Rep. No. 960, 101st Cong., 2d Sess., Pt. 1, at 38 (1990).⁷

Comment, *Experimental Uses, Patents, and Scientific Progress*, 91 Nw. U. L. Rev. 667, 697-698 (1997) (noting increased number of patent filings by universities); Rebecca S. Eisenberg, *Public Research and Private Development: Patents and Technology Transfer in Government-Sponsored Research*, 82 Va. L. Rev. 1663, 1708, 1726 (1996) (indicating that universities are obtaining an increasing number of patents); Gina A. Kuhlman, Comment, *Alliances for the Future: Cultivating a Cooperative Environment for Biotech Success*, 11 Berkeley Tech. L. J. 311, 345-346 (1996) (same); Tammy L. Lewis and Lisa A. Vincler, *Storming the Ivory Tower: The Competing Interests of the Public's Right to Know and Protecting the Integrity of University Research*, 20 J.C. & U.L. 417, 430 n. 59 (1994) ("In total, American universities were issued 1,346 patents in 1991, an increase of 117% from the 619 issued in 1986."). The States therefore receive considerable benefits from the federal patent system, including of course the right to sue infringers in federal court.

⁷ Indeed, federal patent law authorizes the issuance of patents for "anything under the sun that is made by man." *Diamond v. Diehr*, 450 U.S. 175, 182 (1981) (internal quotation marks omitted); *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980). As technology has expanded, patents have been issued in increasingly varied contexts, encompassing such matters as biotechnology processes in which both state and private entities are increasingly involved, see

Thus, Congress foresaw a near future in which state entities, seeking advantage from the developing lucrative market in technology and intellectual property, might be increasingly tempted to infringe private inventors' patents, and it perceived a need to protect patent owners from such infringement by ensuring them an adequate remedy. Even if (as petitioner contends, Pet. Br. 20-21) Congress did not have evidence of egregious and constant patent infringement by state entities in the past, Congress is nonetheless entitled to conclude that legislation is warranted for the future to protect the federal property rights conferred under the patent laws. See S. Rep. No. 280, 102d Cong., 2d Sess. 8 (1992) (J.A. 20a). Congress was not required to wait until the evidence showed that patent infringement by state entities had already reached emergency levels.

Nor was it necessary for Congress to compile a record similar to that required of an administrative agency in order to validate its determination that a remedy for patent infringement by state entities is needed. See *FCC v. Beach Communications, Inc.*, 508 U.S. 307, 315 (1993). As long as the Court can “perceive[] a factual basis on which Congress could have concluded” that there had been unconstitutional deprivations of property interests in patents in the past, or that there were likely to be such violations in the future, requiring a remedy, then the Patent Remedy Act is valid Section 5 legislation, so long as Congress did not exceed its discretion in selecting a remedy to redress the harm. See *City of Boerne*, 521 U.S. at 528 (discussing *Morgan*, *supra*). In this case, the evidence of past and potential patent infringement by state

Genentech, *supra* (dispute over state university's patent relating to production of human growth hormone).

entities requiring a remedy is surely not so ethereal as to permit rejection of Congress's ultimate determination that such infringement presents a significant problem. Cf. *Board of Educ. v. Mergens*, 496 U.S. 226, 251 (1990) ("we do not lightly second-guess such legislative judgments, particularly where the judgments are based in part on empirical determinations"); *Turner Broad. Sys., Inc. v. FCC*, 520 U.S. 180, 195-196 (1997) (emphasizing superiority of legislative bodies in making predictive judgments).

b. The Questionable Adequacy Of Other Remedies

The Patent Remedy Act secures the protections of the Due Process Clause by ensuring that, if a State deprives a patent owner of his property interests secured by a patent, adequate post-deprivation remedies will be available to vindicate those interests.⁸ Petitioner contends (Pet. Br. 26-30), however, that the Patent Remedy Act was unnecessary because the States have provided adequate remedies for patent infringements in their own courts. In particular, it contends that, pursuant to the Just Compensation Clause of the Fifth Amendment (as applied to the States through the Fourteenth Amendment, see *Key-stone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470, 481 n.10 (1987)), the States are subject to suit in their own courts for compensation for a taking of a property interest secured by a federal patent. It also argues that many States are also subject to suit in state

⁸ See S. Rep. No. 280, *supra*, at 8 (J.A. 20a); see also H.R. Rep. No. 960, *supra*, at 40 & n.172; see also *House Hearing* at 113 (Letter to Hon. Robert W. Kastenmeier from Glenn Harlan Reynolds, Associate Professor of Law, University of Tennessee, Knoxville).

courts under state-law tort theories such as conversion. For several reasons, however, Congress properly declined to remit patent holders to such possible remedies.

(i) *The Inappropriateness Of Requiring Resort To Remedies For “Takings”*

Although States are constitutionally compelled to furnish compensation when they take property for public use,⁹ it remains uncertain how the Just Compensation Clause might apply to claims that the infringement of a patent by a State constitutes a taking. In the first place, it is highly doubtful that it is appropriate to view a state entity’s infringement of a patent through the lens of “taking” law at all. Because a patent is an exclusive franchise granted to the patentee by the federal government, the Supremacy Clause, U.S. Const. Art. VI, Cl. 2, prevents a State from exercising its power of eminent domain over a patent. Cf. *Gibbons v. Ogden*, 22 U.S. (9 Wheat.) 1, 209-214 (1824) (States cannot impair federal license to engage in coasting trade).¹⁰

⁹ A State’s obligation to provide compensation when it takes property for public use is dictated by the Constitution itself; accordingly, a separate waiver of state sovereign immunity is not required for a court to award compensation against a State on a taking claim. See *First English Evangelical Lutheran Church v. County of Los Angeles*, 482 U.S. 304, 316 n.9 (1987).

¹⁰ Similar concerns are not raised by the federal government’s use of an invention for which a patent has been issued. Obviously, the Supremacy Clause does not speak to such a situation, since the patent is issued by the same sovereign. Moreover, as we explain more fully below, Congress has not granted patent owners a property right to exclude the federal government from use of their patents. Rather, it has accorded them a statutory right of compensation for such use by the federal government. See pp. 46-47, *infra*.

Since a State is not authorized to “take” a patent for public use at all, there is considerable doubt whether the courts should apply the concept of a taking to claims of patent infringement by a State. Rather, claims of patent infringement find a more natural home in the Due Process Clause’s protection against arbitrary “depriv[ation]” of property. And as the Court has recognized, the government can deprive one of property without due process even when it cannot be said to engage in a “taking.” See *Eastern Enters. v. Apfel*, 118 S. Ct. 2131, 2154-2160 (1998) (Kennedy, J., concurring in the judgment and dissenting in part) (distinguishing between takings of property and deprivations of property); *id.* at 2161-2163 (Breyer, J., dissenting) (similar).

Moreover, even if taking law were at all applicable, Congress had substantial reason to doubt whether that jurisprudence might provide adequate assurance to patent owners against infringement by state entities. The Court’s modern taking analysis has recognized two general kinds of takings that require compensation by the State: per se takings and regulatory takings. See *Yee v. City of Escondido*, 503 U.S. 519, 526-532, 533-538 (1992). This Court has not held, however, that the impairment of a property interest in a patent through the unauthorized use of the invention amounts to a per se taking. To the contrary, this Court has generally found a per se taking only when the governmental action extinguishes the right to occupy or to productively use real property. See *id.* at 530-531.¹¹ Con-

¹¹ This Court long ago indicated in dictum that the federal government’s infringement of a patent constitutes a taking of property. See *United States v. Palmer*, 128 U.S. 262, 270-271 (1888); *Hollister v. Benedict & Burnham Mfg. Co.*, 113 U.S. 59, 67-68

gress could therefore have concluded that it is not clear whether state action such as infringement of a patent by the State, which arguably diminishes the economic value of a patent but does not extinguish that value entirely (because the patent owner retains the right to exclude private parties from use of the invention), amounts to a per se taking. Compare *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419 (1982), with *United States v. Sperry Corp.*, 493 U.S. 52, 62 n.9 (1989), and *Keystone Bituminous Coal Ass’n*, 480 U.S. at 488-489 n.18.

The Court recently evaluated a taking claim involving intellectual property under the analysis that governs regulatory takings. See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1004-1014 (1984) (government disclosure of trade secrets). Many alleged patent infringements by state entities, however, may occur without a similar nexus to the conduct of governmental regulatory activities that existed in that case. Regulatory-taking analysis, moreover, is not governed by “any set formula,” but is dependent “on ad hoc, factual inquiries into the circumstances of each particular

(1885); *James v. Campbell*, 104 U.S. 356 (1881); see also Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 Fla. L. Rev. 529, 541-544 (1998). Those opinions were issued long before the development of the Court’s modern regulatory-taking jurisprudence, however, and as we explain in the text, the Court has more recently indicated that the ad hoc approach applicable to regulatory takings should be applied to taking claims involving intellectual property. See *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1004-1014 (1984). Moreover, after the Court decided *Palmer*, *Hollister*, and *Campbell*, Congress made clear that the federal government is not subject to the restrictions of the patent code that apply to States and private parties. See 28 U.S.C. 1498; *De Graffenried v. United States*, 29 Fed. Cl. 384, 387-388 (1993).

case.” *Connolly v. Pension Benefit Guar. Corp.*, 475 U.S. 211, 224 (1986); *Kaiser Aetna*, 444 U.S. at 175. Indeed, this Court has denied compensation under the regulatory-taking analysis even when the value of the property interest was dramatically diminished by the challenged governmental action. See, e.g., *Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pension Trust*, 508 U.S. 602, 645 (1993) (“our cases have long established that mere diminution in the value of property, however serious, is insufficient to demonstrate a taking”). Congress could reasonably conclude that, to ensure adequate incentives for inventions and for investment to deploy those inventions in the commercial world, patent owners need a more certain expectation of compensation than that afforded by regulatory-taking doctrine.

Moreover, even if one assumes that a state entity’s infringement of a patent could satisfactorily be analyzed under taking law, Congress might well have found it doubtful that the remedies that state courts would provide under standard taking law would be sufficient to protect the property interest that Congress has created in a patent. A patent provides the right, not just to obtain compensation for licensed use, but to exclude others entirely from use of the invention. See *American Securit Co. v. Shatterproof Glass Corp.*, 268 F.2d 769, 776 (3d Cir.), cert. denied, 361 U.S. 902 (1959); *Sylvania Indus. Corp. v. Visking Corp.*, 132 F.2d 947, 958 (4th Cir.), cert. dismissed, 319 U.S. 777 (1943); see also *Continental Paper Bag*, 210 U.S. at 429-430 (patent owner is entitled to injunction against use by others of his invention, even if he does not use it himself). Accordingly, an important remedy for a patent infringement is an injunction against future unauthorized use. See 35 U.S.C. 283. Typically, how-

ever, the remedy of an injunction is not available in taking cases. See *Monsanto*, 467 U.S. at 1016; cf. *Eastern Enters.*, 118 S. Ct. at 2145 (plurality opinion) (discussing limited circumstances in which injunction might be available in taking cases).

A patent owner could sue an officer of a state entity engaging in infringement in federal court for an injunction against future infringement under the doctrine of *Ex parte Young*, 209 U.S. 123 (1908), while also suing the State in state court for compensation for past infringement. See also 35 U.S.C. 271(h) (providing that any state officer shall be subject to the provisions of the patent code). That approach would, however, create serious inefficiencies by requiring the patent owner to pursue two separate litigation remedies, and would also present the risk of inconsistent judgments in the two courts.

In addition, this Court has held that the proper compensation for a temporary taking of real property constitutes its rental value during the time of the taking, not compensatory damages to the private enterprise caused by the taking of the property. See *Kimball Laundry Co. v. United States*, 338 U.S. 1, 6-7 (1949); *United States v. General Motors Corp.*, 323 U.S. 373, 379 (1945). Congress could reasonably conclude that, in some circumstances, an analogous taking remedy for intellectual property that might be applied by state courts, such as a royalty, would fail adequately to compensate the patent owner for his economic loss caused by state infringement. That possibility might provide insufficient assurance to those who would finance inventions and their commercial applications,

and thus would dampen the patent system's function in encouraging advances in scientific knowledge.¹²

The Court need not resolve in this case whether an infringing use of an invention by a state entity amounts to either a per se or regulatory taking, or what remedy would be available for such a taking. Our point is that, given the uncertainty that Congress could reasonably perceive about the application of taking law to patents and questions about the adequacy of taking remedies in this context, it was reasonable for Congress to conclude that patent owners should not be remitted to pursuing just-compensation remedies for takings of private property. Congress has instead found it appropriate to provide a certain and predictable statutory remedy under standard and generally applicable patent-infringement law developed by the federal courts.

(ii) *The Inadequacy Of State-Law Tort Remedies*

Petitioner also contends that patent owners may pursue remedies against patent infringement by the States through whatever tort remedies that a State might make available in its own courts. The fact that some States have waived their sovereign immunity from suit for certain state-law torts does not ensure, however, that adequate remedies will be available for such patent infringement. Two States (Arkansas and West Virginia) have not waived their sovereign immu-

¹² Indeed, Congress has provided that the *minimum* measure of damages in a patent-infringement case is a reasonable royalty. 35 U.S.C. 284; see also *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1109 (Fed. Cir. 1996) (observing that royalty may not be sufficient measure of damages when patent owner would not willingly license his invention, and that damages in excess of royalty may be necessary to deter infringement), cert. denied, 520 U.S. 1115 (1997).

nity at all, other States have not waived their sovereign immunity from tort actions, and still other States have imposed significant limitations on their waivers of immunity from tort actions, including limitations that would likely prevent the successful prosecution of patent-infringement suits. See *Amici Curiae States of Ohio, et al.*, Br. App. A-4 to A-14; see also *Conrod v. Missouri State Highway Patrol*, 810 S.W.2d 614, 617-618 (Mo. Ct. App. 1991) (holding that sovereign immunity bars state-law conversion claim against state entity); *Townsend v. State*, 871 P.2d 958, 959-960 (N.M. 1994) (same). Even as to States (including Florida) that have waived their immunity from suit for conversion and other similar tort actions, it is by no means clear that state courts would construe their tort law to encompass claims for patent infringement.¹³

Nor was Congress compelled to take a State-by-State approach, under which the permissibility of a remedy in

¹³ For example, *Jacobs Wind Electric Co. v. Department of Transportation*, 626 So.2d 1333 (Fla. 1993), on which petitioner relies (Pet. Br. 27-28), does not confirm the existence of a reliable remedy for deprivations of property resulting from patent infringement by the State of Florida. In *Jacobs Wind*, the Supreme Court of Florida held only that the state courts had subject-matter jurisdiction to consider state-law claims relating to patent infringement, and that state-law taking and conversion claims were not preempted by the federal patent laws. See 626 So. 2d at 1335-1337 & n.7. The court did not determine whether or to what extent a claim of patent infringement would state a claim under state law, or what relief would be available in such a case. Thus, the court observed that patents are a form of property and that the constitutions of both Florida and the United States prohibit the State from “taking” property without just compensation, *id.* at 1337, but it did not hold that the State’s infringement of a patent does in fact constitute a “taking” within the meaning of the state or federal constitutions.

federal court would depend on the adequacy of any particular State's post-deprivation remedy in its own courts. Such an approach could lead to protracted and unseemly litigation, in which the federal courts would be called upon to evaluate the adequacy and good faith of whatever post-deprivation remedy a State had made available in its own courts. And should the federal court's evaluation of the state-court remedies turn out to be inaccurate, such an approach could lead to patent-infringement claims being shuttled back and forth between court systems. Rather, Congress is entitled to conclude that a nationally uniform remedy in the federal system is needed for patent-infringement cases against state entities. Cf. *Oregon v. Mitchell*, 400 U.S. 112, 133-134 (1970) (opinion of Black, J.) (upholding nationwide extension of literacy test ban because Congress reasonably concluded that a national solution was necessary); *id.* at 216 (Harlan, J., concurring in part and dissenting in part) ("Whether to engage in a more particularized inquiry * * * was a choice for Congress to make.").

(iii) *The Need For A Post-Deprivation, Rather Than Pre-Deprivation, Procedure*

Congress could also have perceived that a post-deprivation remedy of damages is necessary because it would be impracticable in this context for States to provide a pre-deprivation opportunity for a patent owner to challenge the anticipated action of the state entity that might constitute an infringement of the patent. Cf. *Zinermon v. Burch*, 494 U.S. 113, 127-130 (1990) (noting that, although the Due Process Clause generally requires a pre-deprivation opportunity to challenge the State's proposed deprivation of property, a post-deprivation remedy may be appropriate when

pre-deprivation process is impractical); *Hudson v. Palmer*, 468 U.S. at 533 (similar). It is unrealistic to expect that state entities will provide notice to patent owners before infringing their patents through unauthorized use. By hypothesis, the infringing state entity stands in competition with the patent owner and therefore has no incentive to notify the owner of a contemplated infringing use. See *ibid.* (noting that “one bent on intentionally depriving a person of his property might well take affirmative steps to avoid signalling his intent”). A post-deprivation remedy, therefore, is essential to secure patent owners’ property rights against deprivation by state entities.

**c. *The Compelling And Historical Federal Interests
In Uniformity And Private Enforcement Of
Patent-Infringement Cases***

In determining that it is “appropriate” to subject state entities to suit in federal court for patent infringement, it was also reasonable for Congress to take into account the particularly compelling federal interest in the development of a uniform and consistent patent law. In the first place, patents are unusual in the law because, in the absence of exclusive jurisdiction in one court system to consider claims involving such intellectual property, there would be a significant potential for inconsistent adjudication of the patent owner’s right to exclude others. Assume, for example, that a patent owner contends that his patent has been infringed by both a state entity and a private enterprise. If the owner were required to pursue remedies against the two alleged infringers in two different court systems, those courts might render inconsistent decisions as to whether the patent was valid, or whether similar activity constituted infringe-

ment. Congress could reasonably have deemed it appropriate to minimize the uncertainties that would result for both patent holders and potential infringers by requiring adjudication of patent-infringement claims in a single court system.

It is also well understood that patent cases are “unusually complex, technically difficult, and time-consuming.” H.R. Rep. No. 312, 97th Cong., 1st Sess. 22 (1981). In recognition of the difficulties of developing patent law, Judge Friendly observed more than 25 years ago that there are “a great number of patents in the higher reaches of electronics, chemistry, biochemistry, pharmacology, optics, harmonics and nuclear physics,” and that such patents “are quite beyond the ability of the usual judge to understand without the expenditure of an inordinate amount of educational effort by counsel and of attempted self-education by the judge, and in many instances, even with it.” Henry J. Friendly, *Federal Jurisdiction: A General View* 157 (1973). Those observations are no doubt yet more true today, after transformative developments in areas such as computer technology and biotechnology.

Because of the difficulties of developing uniform and consistent patent law, Congress has historically insisted that patent-infringement cases should be decided only in the federal courts. This Court has explained that, “[s]ince the Patent Act of 1800, Congress has lodged exclusive jurisdiction of actions ‘arising under’ the patent laws in the federal courts, thus allowing for the development of a uniform body of law in resolving the constant tension between private right and public access.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162 (1989). That channeling of all patent cases into the federal courts reflects no disparagement of the general abilities of state courts;

rather, it reflects Congress's realistic recognition that patent law requires an unusual degree of uniformity and consistency. That interest in uniformity and consistency is rooted in the Patent Clause itself, for "[o]ne of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property." *Id.* at 162 (citing *The Federalist* No. 43, at 309 (J. Madison) (B. Wright ed., 1961)).

Congress has acted further to promote uniformity and consistency in this complex area by vesting the United States Court of Appeals for the Federal Circuit with exclusive jurisdiction over all appeals in cases arising under the patent laws. This further channeling of all patent cases into a single court of appeals reflects Congress's determination that a court in a position to apply uniform standards is needed for all patent cases, and its dissatisfaction with the disuniform results under the previous system, in which patent cases were appealed from the district courts to the regional courts of appeals. See S. Rep. No. 275, 97th Cong., 1st Sess. 6 (1982); H.R. Rep. No. 312, *supra*, at 20-23; see also *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 813 (1988). Indeed, the fact that Congress in 1982 concluded that all patent appeals must be heard by the Federal Circuit, even after the regional courts of appeals had had decades of experience with patent cases, suggests that the need for uniformity and consistency in patent decisions has increased over time. See S. Rep. No. 275, *supra*, at 5 (observing that "the patent bar indicated that uncertainty created by the lack of national law precedent was a significant problem," the Hruska Commission on Revision of the Federal Court Appellate System had identified "patent law as an area in which widespread forum-shopping is

particularly acute,” and other witnesses had “confirmed the findings of the Hruska Commission that patent cases are inconsistently adjudicated”).

The federal interest in accurate and uniform resolution of patent law could be seriously undermined if patent-infringement cases against state entities were required to be heard in state courts. The substantial benefits of the jurisprudential consistency developed by the federal courts, including the Federal Circuit, could be lost in a significant number of cases if Congress were required to leave the enforcement of patent rights against state entities to state courts. Although state courts might choose to follow patent-law decisions of the Federal Circuit, there would no requirement that they do so, and (as noted above) a patent owner might be faced with conflicting decisions from the federal courts and the state courts as to its rights, including the validity of the patent. A state court might also conclude that a particular course of action by a state entity did not constitute infringement of a patent (and thus might decline to award compensation to the patent owner), even though the Federal Circuit might conclude that a similar course of action by a private entity did infringe the same patent.

Of course, review by this Court would remain available to resolve important legal questions about the patent code, but the availability of that review would not necessarily ensure that conflicting decisions between state and federal courts about rights in a *particular* patent would be fully resolved, because this Court ordinarily does not grant review in cases that involve the application of a settled legal standard to a particular set of facts. See Sup. Ct. R. 10 (“A petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or

the misapplication of a properly stated rule of law.”). Given the risk of error inherent in resolving the complex issues arising out of patent infringement, it is reasonable for Congress to ensure that patent owners who fall victim to infringement by state entities (as well as private entities) are able to protect their property interests by obtaining uniform and comprehensive relief in the federal courts. See S. Rep. No. 275, *supra*, at 6 (concluding that vesting the Federal Circuit with exclusive jurisdiction over patent cases was warranted because “it is important to those who must make the necessary investment decisions that we decrease unnecessary uncertainties in the patent system”).¹⁴

In theory, if the federal courts were not open to claims of patent infringement brought by private patent owners against state entities, the federal gov-

¹⁴ The determination by Congress that all patent-infringement cases, including cases against state entities, should proceed in federal court also gives appropriate weight to the constitutional principle that the kind of process that is “due” in a particular situation turns in part on “the risk of an erroneous deprivation of” the property interest at issue. *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976); see also *Greenholtz v. Inmates of Neb. Penal & Correctional Complex*, 442 U.S. 1, 13 (1979); *Carey v. Piphus*, 435 U.S. 247, 259 (1978). Congress has reasonably concluded that the risk of error in patent-infringement cases (which may have serious consequences for the national economy) is substantial, and is significantly diminished by the development of a uniform and predictable body of patent law. That is true no less of patent-infringement claims brought against state entities. It is noteworthy in this context that the transfer of exclusive jurisdiction over patent appeals to the Federal Circuit appears to have resulted in more uniform interpretations of the patent laws, as Congress intended. See Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1, 14-20, 24 (1989).

ernment could bring suit against infringing States in federal court. See *Seminole Tribe*, 517 U.S. at 71 n.14. Congress, however, has historically not provided statutory authorization for suit by the United States to enforce private patent rights (including a right to compensation against an infringer). Moreover, an approach relying on the federal government's enforcement of patent rights would not be realistically likely to provide the complete protection to private patent owners against infringement by state entities that Congress has found to be necessary for a proper functioning of the patent system.

The patent code as it has existed since 1790 operates on the assumption that a patent owner is in the best position to assert his own rights against infringers. A patent owner knows best the technology underlying his invention and also has the greatest incentive to monitor competitors to determine whether they are infringing his patent. It is highly questionable whether the federal government could adequately fulfill the function of patent enforcer, given resource constraints, the complexity of many patented inventions, and concerns that would likely be raised about the federal government's taking sides in private commercial disputes and making determinations as to which patents deserved enforcement and which did not. The federal government would also become involved in settlement and licensing issues traditionally left to private negotiation (including situations in which the government might have conflicting interests). Thus, while the federal government in other contexts may bring actions against state entities to vindicate the public interest in adherence to federal law as well as to compensate injured private parties, that prosecutorial role for the federal government has historically been absent from the patent code.

3. Congress Need Not Limit The Federal Courts' Jurisdiction Over Patent-Infringement Suits Against State Entities To Cases In Which Intent Is Proven

Petitioner observes that this Court has held that a “deprivation” of property within the meaning of the Due Process Clause occurs “only where the state acts intentionally.” Pet. Br. 25 n.10 (citing *Daniels v. Williams*, 474 U.S. 327, 331 (1986)). Petitioner therefore argues that Congress lacks authority under Section 5 of the Fourteenth Amendment to subject States to suit in federal court for patent infringement in cases that do not involve intentional patent infringement by the State. But as we have explained (pp. 15-16, *supra*), the Court has made clear that Congress is entitled to exercise its powers to enforce the protections of the Fourteenth Amendment in a measured manner, even if its enforcement legislation extends beyond the substantive reach of the Amendment.¹⁵ Even if it is true,

¹⁵ See *City of Rome*, 446 U.S. at 177-178, 181-182 (reaffirming validity of the preclearance requirement of Section 5 of the Voting Rights Act of 1965, 42 U.S.C. 1973c, as well as that statute’s reach to bar voting changes with a retrogressive effect but no discriminatory intent, because of the “risk of purposeful discrimination” in enactment of new voting laws by covered jurisdictions); *City of Boerne*, 521 U.S. at 532 (explaining that “[p]reventive measures prohibiting certain types of laws may be appropriate when there is reason to believe that many of the laws affected by the congressional enactment have a significant likelihood of being unconstitutional”). Intentional infringement is not, in practice, confined to conduct undertaken in bad faith; it can also proceed from a good faith belief that the patent (typically issued in *ex parte* examination process) is invalid and can be proved to be invalid in defending an infringement suit. Intentional infringement thus can serve a legitimate public purpose of eliminating invalid constraints on competition. See *Lear, Inc. v. Adkins*, 395 U.S. 653, 669-674 (1969).

therefore, that only intentional patent infringement would violate the Due Process Clause,¹⁶ Congress could still legislate more broadly to provide “appropriate” deterrence and remedies for state deprivations of property interests in patents.

As petitioner observes, patent infringement does not require intent to infringe. And it is not disputed that Congress may, pursuant to the Patent Clause, properly regulate the primary conduct of state entities (and others) by fashioning a substantive rule of patent infringement that does not include such an element of intent. The only question in this case is when is it appropriate for Congress to provide the federal courts with jurisdiction to provide a remedy based on such regulation. Given that Congress’s substantive regulation in that manner is constitutionally unobjectionable, it is “appropriate” for Congress to dispense with an intent requirement as a condition to the exercise of federal jurisdiction over patent-infringement cases. If, instead, the federal courts’ authority to hear patent-infringement suits against state entities were to be

¹⁶ In fact, although the Court has held that a negligent act arising out of a lack of due care by state employees in contravention of state-law tort standards does not implicate the Due Process Clause, see *Daniels*, 474 U.S. at 335-336, the Court has not held that a state entity’s deprivation of an individual’s property, undertaken pursuant to state-law authorization, may violate the Due Process Clause only if the state entity acts with the purpose to deprive an individual of his property. The decision in *Daniels* was based on the need to avoid “trivializ[ing] the Due Process Clause,” *id.* at 335, by making it “a font of tort law to be superimposed upon whatever systems may already be administered by the States,” *id.* at 332 (internal quotation marks omitted). That concern is not implicated where, as here, a state entity is sued under a federal statute for infringing a property interest that is rooted in federal rather than state law.

limited to cases in which the patent owner alleged and proved intent, the likely result would be serious inefficiencies in the resolution of patent-infringement cases in federal court against state entities. Because intent is easily alleged, patent owners would in all probability frequently claim intent in complaints against state entities. The courts, consequently, could not resolve jurisdictional questions in such cases on the pleadings. And since it is often the case that questions of intent cannot be resolved on summary judgment,¹⁷ the federal courts would likely be required in many cases to hold a trial on the question of intent (which would undoubtedly involve litigation over the substantive patent issues in the case) merely as a predicate to asserting jurisdiction over the case.¹⁸

In sum, a rule under which federal jurisdiction would turn on proof of intent runs counter to the salutary principle that “[t]he boundary between judicial power and nullity should . . . , if possible, be a bright line,

¹⁷ See *Harlow v. Fitzgerald*, 457 U.S. 800, 815-817 (1982); *Hutchinson v. Proxmire*, 443 U.S. 111, 120 n.9 (1979); see also *Hardin v. Pitney-Bowes, Inc.*, 451 U.S. 1008 (1981) (Rehnquist, J., dissenting) (“It has long been established that it is inappropriate to resolve issues of credibility, motive, and intent on motions for summary judgment.”).

¹⁸ In this case, CSB has alleged that petitioner knowingly and willfully infringed its patent. See C.A. App. 101 (Compl. ¶ 7) (“Defendant Florida Prepaid with actual knowledge of the ‘055 patent, with knowledge of its infringement, and without lawful justification, has willfully infringed the ‘055 patent.”). Those alleged facts are clearly sufficient to state a “deprivation” of a property interest within the meaning of the Due Process Clause, under any standard. Petitioner’s rule would permit the federal district court to assert jurisdiction over the complaint at the pleading stage but would require the court to dismiss for lack of jurisdiction if CSB failed to prove intent at trial.

* * * [and that] a trial judge ought to be able to tell easily and fast what belongs in his court and what has no business there.” *Sisson v. Ruby*, 497 U.S. 358, 375 (1990) (Scalia, J., concurring in judgment) (quoting Z. Chafee, *The Thomas M. Cooley Lectures: Some Problems Of Equity* 312 (1950)). It is therefore “appropriate” for Congress to provide a judicial remedy for patent infringement by state entities that does not require proof of intentional infringement—especially in light of the fact that there is often no need for the court and parties to address questions of intent in order to resolve the merits of infringement claims.

C. *City of Boerne v. Flores* Does Not Call Into Question Congress’s Authority To Make State Entities Amenable To Suit In Federal Court For Patent Infringement.

Petitioner contends (Pet. Br. 21-23, 32-33) that *City of Boerne*, *supra*, calls into question Congress’s authority to subject States to suit for patent infringement under Section 5 of the Fourteenth Amendment. The concerns that animated the Court’s decision in *City of Boerne*, however, are far afield from this case. *City of Boerne* held that the Religious Freedom Restoration Act of 1993 (RFRA), 42 U.S.C. 2000bb *et seq.*, exceeded Congress’s authority under Section 5, insofar as it was made applicable to the States. RFRA was enacted “in direct response to” the Court’s decision in *Employment Division, Department of Human Resources v. Smith*, 494 U.S. 872 (1990), which construed the Free Exercise Clause of the First Amendment to hold that “neutral, generally applicable laws may be applied to religious practices even when not supported by a compelling governmental interest.” *City of Boerne*, 521 U.S. at 512, 514. RFRA prohibited the States from “substan-

tially burden[ing]” a person’s exercise of religion even if the burden resulted from a rule of general applicability, unless the State could show that the burden “(1) [was] in furtherance of a compelling governmental interest; and (2) [was] the least restrictive means of furthering that compelling governmental interest.” 42 U.S.C. 2000bb-1. The Act applied by its terms to all States and all their subdivisions, 42 U.S.C. 2000bb-2(1), and covered “all * * * State law, and the implementation of that law, whether statutory or otherwise, and whether adopted before or after [RFRA’s enactment].” 42 U.S.C. 2000bb-3(a).

In *City of Boerne*, the Court rejected the argument that RFRA was “appropriate” legislation under Section 5 to deter or remedy violations of the Free Exercise Clause. The Court emphasized that RFRA’s “[s]weeping coverage ensures its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter.” 521 U.S. at 532. The Court also stressed that, by requiring heightened scrutiny of state action touching on religious exercise, RFRA effected “a considerable congressional intrusion into the States’ traditional prerogatives and general authority to regulate for the health and welfare of their citizens.” *Id.* at 534. The Court therefore ruled that “RFRA is so out of proportion to a supposed remedial or preventive object that it cannot be understood as responsive to, or designed to prevent, unconstitutional behavior.” *Id.* at 532.

Making state entities amenable to suit for patent infringement in federal court, by contrast, is a measured means of enforcing the Due Process Clause. It bears emphasis that the Patent Remedy Act does not prevent the States from engaging in any *legitimate*

regulatory function on behalf of their citizens, or in any other primary conduct constitutionally reserved to the States. To the contrary, the Patent Remedy Act “speaks only to a state’s *unauthorized* [by federal law] production, use, or sale of a patented device or method.” Pet. App. 24a (emphasis added); see also *Chavez v. Arte Publico Press*, 157 F.3d 282, 297 (5th Cir. 1998) (Wisdom, J., dissenting) (making similar observation with respect to state infringements of copyrights), reh’g en banc granted, No. 93-2881 (Oct. 1, 1998). It is not disputed that Congress may exercise its substantive powers under the Patent Clause to prohibit state entities, as well as others, from infringing a federal patent. State entities therefore have no legitimate interest in engaging in such unlawful conduct, and so it is entirely “appropriate,” within the meaning of Section 5, for Congress to provide a remedy for such patent infringement by a state entity.¹⁹

Petitioner objects particularly to the provisions of the patent laws that permit the award of treble damages and attorney’s fees against those adjudicated to have infringed a patent.²⁰ Such increased damages

¹⁹ Indeed, state entities themselves are substantial participants in the patent system and are allowed to reap the resulting commercial benefits. See, e.g., *Genentech*, 143 F.3d at 1454. The Patent and Trademark Office has informed us that at least 572 patents have been issued to Florida’s public universities alone, and that all 50 States own or have obtained patents. The States accordingly have a strong interest in ensuring the effectiveness of the patent system, and that interest is furthered by enforcing the remedial provisions of the patent laws against both state and private infringers.

²⁰ Congress has authorized the permissive award of treble damages in patent cases since at least 1836. See Act of July 4, 1836, ch. 357, § 14, 5 Stat. 123.

awards, however, are unusual even in the context of patent suits against private entities. Damages may be increased only in cases of willful infringement (a category of cases within the core of Congress's Section 5 enforcement authority), and the district courts have discretion to deny such relief even in those cases. See 35 U.S.C. 284; *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1464-1465 (Fed. Cir. 1997).²¹ "The standard for receiving treble damages in a patent suit is very difficult to attain," and such awards are made only in "the most flagrant cases." S. Rep. No. 280, *supra*, at 10 (J.A. 24a, 25a). Courts could, moreover, take into account the sovereign interests of the State (as well as any public function performed by the state activity found to have constituted an infringement) in deciding whether to provide such extraordinary relief against an infringing state entity.

Courts also do not routinely award attorney's fees against infringers. The patent code authorizes the award only of "reasonable" attorney's fees and even

²¹ "Willful" infringement, such as might warrant a discretionary award of increased damages, is not the same thing as intentional infringement. Among other things, if a court determines that a party held to have infringed a patent acted out of a good-faith belief that the patent was invalid, it may properly decline to award increased damages against the infringer, even if the infringement was intentional. See *Oscar Mayer Foods Corp. v. ConAgra, Inc.*, 869 F. Supp. 656, 667 (W.D. Wis.) (declining to award increased damages because defendant had "a good faith belief in the invalidity defense"), *aff'd*, 45 F.3d 443 (Fed. Cir. 1994), *cert. denied*, 516 U.S. 812 (1995); see generally *Bott v. Four Star Corp.*, 807 F.2d 1567, 1572 (Fed. Cir. 1986) (setting forth "totality of the circumstances" test for willful infringement, which considers, among other things, whether infringer formed a good-faith belief of invalidity), *overruled on other grounds*, *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).

then only in “exceptional cases.” 35 U.S.C. 285. The prevailing party must demonstrate by clear and convincing evidence that the case is exceptional, and even if such a showing can be made, the district court retains discretion to deny a request for attorney’s fees. See, e.g., *B. Braun Med., Inc. v. Abbott Labs.*, 124 F.3d 1419, 1429 (Fed. Cir. 1997). The mere fact that increased damages and attorney’s fees are authorized in exceptional and egregious cases provides no basis for concluding that the standard remedies of compensatory damages and declaratory and injunctive relief are disproportionate remedies for a state entity’s infringement of a patent.²²

Petitioner’s reliance (Pet. Br. 37) on the unique remedy made available against the United States for its use of a patented invention is also unpersuasive. The property right encompassed by a patent includes the right to exclude private parties and state entities from use of the invention. The patent does not, however, confer on patent owners a similar right to obtain an injunction against the United States from such use. Rather, a patent owner has a statutory right of compensation from the United States for the federal government’s use of an invention. 28 U.S.C. 1498; see *W.L. Gore & Assocs. v. Garlock, Inc.*, 842 F.2d 1275, 1283 (Fed. Cir. 1988). *Brunswick Corp. v. United States*, 36

²² This Court need not in any event resolve at this juncture whether the potential availability of attorney’s fees or treble damages against state entities creates a particular Eleventh Amendment problem. CSB’s patent-infringement claim has not yet been tried, and the district court therefore has had no occasion to determine whether damages should be trebled or whether an award of attorney’s fees is warranted (or even whether an infringement has occurred). Thus, it is far from certain that such an award would ever be entered in this case.

Fed. Cl. 204, 207 (1996), *aff'd*, 152 F.3d 946 (Fed. Cir. 1998) (Table); *De Graffenried v. United States*, 29 Fed. Cl. 384, 387-388 (1993). Accordingly, because a patent does not confer on the patent owner a property right to exclude the United States from use, the use of a patented invention by the United States also does not deprive the patent owner of any property right protected by the Due Process Clause.

II. PETITIONER HAS WAIVED ITS ELEVENTH AMENDMENT IMMUNITY

The judgment of the court of appeals also may be affirmed on the alternate ground that petitioner has waived its Eleventh Amendment immunity by voluntarily engaging in the marketing of the investment products that are at issue in this case, at a time when Congress has made unmistakably clear that commercial activity by a state entity that infringes another's patent may cause that state entity to be subject to suit in federal court. As we explain in detail in our brief in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, No. 98-149, a State voluntarily waives its Eleventh Amendment immunity by engaging in commercial activity if (1) Congress has unequivocally stated that a State that engages in such activity may be subject to suit in federal court for private claims of violation of federal law arising out of that activity, and (2) the activity is of a sort that the State can realistically choose to abandon.²³ The line of cases supporting this rule rests

²³ Although the court of appeals did not address this waiver point, the issue was raised in the courts below and can serve as an alternate basis on which to affirm the judgment below. See, *e.g.*, *Bennett v. Spear*, 520 U.S. 154, 166 (1997).

on the principle that a state entity may engage in a business more traditionally carried on by private enterprise, but when it does so, it may be burdened with the same regulations, remedies, and restrictions imposed on private market participants. See 98-149 U.S. Br. 29-30; see generally *Pardey v. Terminal Ry. of the Ala. State Docks Dep't*, 377 U.S. 184, 192, 196 (1964); cf. *United States v. California*, 507 U.S. 746, 757-758 (1993) (noting that even the federal government's rights and remedies may be different when it acts not "in its sovereign capacity" but as contractor similar to private enterprises).

Both conditions discussed above are satisfied in this case. First, there is no doubt that, in the Patent Remedy Act, Congress expressly made States amenable to suit for patent infringement. Thus, petitioner was on notice, after enactment of the Patent Remedy Act, that future commercial activity infringing CSB's patent could render it subject to suit by CSB in federal court. Second, although state governments have historically assumed responsibility for the actual operation of schools, the marketing of investment products of the sort at issue here is neither a traditional nor a necessary means of facilitating the State's educational mission. See 98-149 U.S. Br. 26-27. Accordingly, by engaging in that marketing of investment products subject to the already existing congressional condition that patent infringement may be remedied by an award of damages in the federal courts, petitioner has waived its Eleventh Amendment immunity.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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